

**NEWELL-FONDA
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2004 Election)

James Wernimont	President	2004
Roger Sarchet	Vice President	2005
Lyle Rossiter		2006
Greg Baskerville		2006
Tony Buchholz		2004

(After September, 2004 Election)

James Wernimont	President	2007
Roger Sarchet	Vice President	2005
Lyle Rossiter		2006
Greg Baskerville		2006
Julie Sexton		2007

SCHOOL OFFICIALS

Ronald Day	Superintendent
Marcia Johnson	District Secretary/ Treasurer

Independent Auditor's Report

To The Board of Education of the
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Newell-Fonda Community School District, Newell, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Newell-Fonda Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2005 on our consideration of Newell-Fonda Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newell-Fonda Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

August 18, 2005

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Newell-Fonda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- ! General Fund revenues decreased from \$3,190,121 in fiscal 2004 to \$3,036,864 in fiscal 2005. Expenditures increased from \$3,183,763 in fiscal 2004 to \$3,442,030 in fiscal 2005.
- ! The decrease in revenues was due in part to decreased revenue from property taxes. Property valuations dropped, and rates were not increased offset this change. This change resulted in over \$140,000 less tax revenue for the district. The district also experienced a special education surplus in FY 2004, causing state aid to be reduced by more than \$48,000.
- ! A significant increase in enrollment was experienced for the 2004-2005 school year, due to the closing of the OLCG Catholic school in our district. The increase in expenditures is due in part to the increase in staff needs, adding 2.8 full time teachers and a full time associate in 2004-2005. When added to overall salary increases, staff costs were up over \$150,000. Also, the large increase in enrollment caused expenses to rise, while state aid for these additional students will not be seen until Fiscal 2006. Other factors: Special Education tuition costs increased by approximately \$45,000, fuel costs were up by approximately \$10,000, and enrollment costs were up by approximately \$10,000.
- ! The Management Fund revenues decreased from \$60,567 in fiscal 2004 to \$31,303 in fiscal 2005. Management expenditures increased slightly from \$54,930 in fiscal 2004 to \$61,728 in fiscal 2005.
- ! Local Option Sales Tax revenues increased dramatically with the addition of Calhoun, Pocahontas and Buena Vista Counties. Revenues increased from \$1,777 in fiscal 2004 to \$187,396 in fiscal 2005. There have been no expenditures out of this fund.
- ! PPEL revenues decreased from \$176,909 in fiscal 2004 to \$80,375 in fiscal 2005. The board did not levy voted PPEL money for fiscal 2005, which accounts for this decrease. At the same time, expenditures increased from \$156,614 in fiscal 2004 to \$212,758 in fiscal 2005. A purchase of a bus was part of this increase in expenditures.
- ! The Nutrition Fund revenues increased from \$161,722 in fiscal 2004 to \$183,331 in fiscal 2005. Expenditures also increased from \$160,266 in fiscal 2004 to \$169,535 in fiscal 2005.
- ! Activity Fund receipts decreased from \$227,214 in fiscal 2004 to \$152,587 in fiscal 2005. Expenditures also decreased from \$216,552 in fiscal 2004 to \$151,378 on fiscal 2005. Part of this change is due to Drill Team Florida trip activities in 2004 and state tournament activities in 2004, as well as other miscellaneous activities. It should be noted that the overall balance remained steady despite the large difference in cash flow through this account.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Newell-Fonda Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Newell-Fonda Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Newell-Fonda Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

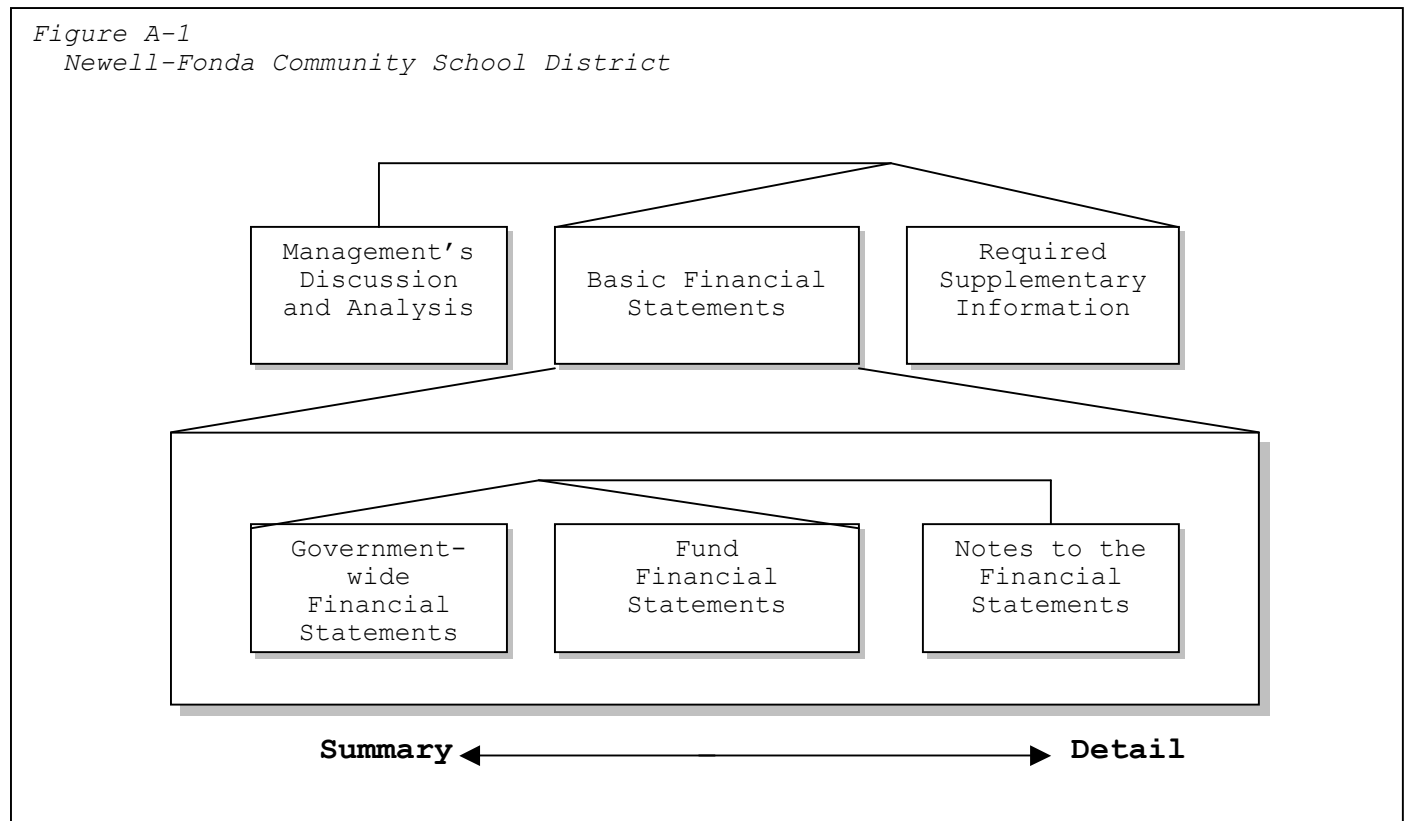


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows 	<ul style="list-style-type: none"> . Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- ! *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ! *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

! Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Current assets	2,599	3,019	48	33	2,647	3,052	-13.27%
Capital assets	400	359	2	3	402	362	11.05%
Total assets	2,999	3,378	50	36	3,049	3,414	-10.69%
Current liabilities	1,129	1,170	-	-	1,129	1,170	-3.50%
Non-current liabilities	-	-	-	-	-	-	0.00%
Total liabilities	1,129	1,170	-	-	1,129	1,170	-3.50%
Net Assets							
Invested in capital assets, net of related debt	400	359	3	3	403	362	11.33%
Restricted	722	698	-	-	722	698	3.44%
Unrestricted	748	1,151	47	33	795	1,184	-32.85%
Total net assets	1,870	2,208	50	36	1,920	2,244	-14.44%

The District's combined net assets decreased 14%, or approximately \$324,000 under the prior year. Increased salary costs due to the OLGC closing and reduced property tax revenues were the primary factors. The increased salary costs will be recouped in future years as the increased enrollment is reflected in the District's authorized budget. The largest portion of the District's net assets is the invested in cash and pooled investments.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$389,000 or 33%. This decrease in unrestricted net assets was a result of the factors described in the previous paragraph.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	90	103	193
Operating grants, contributions and restricted interest	623	80	703
General revenues:			
Property tax	1,164	-	1,164
Local option sales tax	185	-	185
Unrestricted state grants	1,370	-	1,370
Unrestricted investment earnings	22	-	22
Other	34	-	34
Total revenues	<u>3,488</u>	<u>183</u>	<u>3,671</u>
Program expenses:			
Governmental activities:			
Instruction	2,442	-	2,442
Support Services	1,224	-	1,224
Non-instructional programs	-	169	169
Other expenses	161	-	161
Total expenses	<u>3,827</u>	<u>169</u>	<u>3,996</u>
Change in net assets	<u>(339)</u>	<u>14</u>	<u>(325)</u>

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 92% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,488,525 and expenses were \$3,827,190.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(expressed in thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	2,442	1,911
Support Services	1,224	1,180
Non-instructional programs	-	-
Other expenses	<u>161</u>	<u>23</u>
Totals	<u><u>3,827</u></u>	<u><u>3,114</u></u>

! The cost financed by users of the District's programs was \$89,969.

! Federal and state governments subsidized certain programs with grants and contributions totaling \$431,498.

! The net cost of governmental activities was financed with \$1,164,506 in property and other taxes and \$1,369,875 in unrestricted state grants.

Business-Type Activities

Revenues for School Nutrition were \$183,331 and expenses were \$169,535. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District held meal prices steady.

INDIVIDUAL FUND ANALYSIS

As previously noted, Newell-Fonda Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of 1,869,331, a fifteen percent decrease under last year's ending fund balances of \$2,207,996. As discussed previously, increased costs due to increased enrollment and reductions in property tax askings were the primary reasons for the decreases.

Governmental Fund Highlights

- ! General Fund revenues decreased from \$3,190,121 in fiscal 2004 to \$3,036,864 in fiscal 2005. Expenditures increased from \$3,183,763 in fiscal 2004 to \$3,442,030 in fiscal 2005.
- ! The decrease in revenues was due in part to decreased revenue from property taxes. Property valuations dropped, and rates were not increased offset this change. This change resulted in over \$140,000 less tax revenue for the district. The district also experienced a special education surplus in FY 2004, causing state aid to be reduced by more than \$48,000.
- ! A significant increase in enrollment was experienced for the 2004-2005 school year, due to the closing of the OLGC Catholic school in our district. The increase in expenditures is due in part to the increase in staff needs, adding 2.8 full time teachers and a full time associate in 2004-2005. When added to overall salary increases, staff costs were up over \$150,000. Also, the large increase in enrollment caused expenses to rise, while state aid for these additional students will not be seen until Fiscal 2006. Other factors: Special Education tuition costs increased by approximately \$45,000, fuel costs were up by approximately \$10,000, and enrollment costs were up by approximately \$10,000.
- ! The Management Fund revenues decreased from \$60,567 in fiscal 2004 to \$31,303 in fiscal 2005. Management expenditures increased slightly from \$54,930 in fiscal 2004 to \$61,728 in fiscal 2005.
- ! Local Option Sales Tax revenues increased dramatically with the addition of Calhoun, Pocahontas and Buena Vista Counties. Revenues increased from \$1,777 in fiscal 2004 to \$187,396 in fiscal 2005. There have been no expenditures out of this fund.
- ! PPEL revenues decreased from \$176,909 in fiscal 2004 to \$80,375 in fiscal 2005. The board did not levy voted PPEL money for fiscal 2005, which accounts for this decrease. At the same time, expenditures increased from \$156,614 in fiscal 2004 to \$212,758 in fiscal 2005. A purchase of a bus was part of this increase in expenditures.
- ! Activity Fund receipts decreased from \$227,214 in fiscal 2004 to \$152,587 in fiscal 2005. Expenditures also decreased from \$216,552 in fiscal 2004 to \$151,378 on fiscal 2005. Part of this change is due to Drill Team Florida trip activities in 2004 and state tournament activities in 2004, as well as other miscellaneous activities. It should be noted that the overall balance remained steady despite the large difference in cash flow through this account.

Proprietary Fund Highlights

The Nutrition Fund revenues increased from \$161,722 in fiscal 2004 to \$183,331 in fiscal 2005. Expenditures also increased from \$160,266 in fiscal 2004 to \$169,535 in fiscal 2005.

BUDGETARY HIGHLIGHTS

The District's receipts were \$158,293 less than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving less in state and federal aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. The District then manages or controls General Fund spending through its line-item budget. Expenditures exceeded the amounts budgeted in the Instruction function due to having to hire additional staff after the budget had been approved.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$401,877, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 11% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$63,845.

The original cost of the District's capital assets was \$1,558,742. Governmental funds account for \$1,536,378, with the remainder of \$22,364 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Land	2	2	-	-	2	2	0.00%
Buildings	273	291	-	-	273	291	-6.19%
Furniture and equipment	125	66	2	3	127	69	84.06%
Totals	400	359	2	3	402	362	11.05%

Long-Term Debt

The District has no long-term debt.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- ! Due to the increased enrollment in 2004-2005, the state funding for the additional students will be seen in 2005-2006. This should cause a correction in the General Fund balance, which experienced a significant decrease in 2004-2005.
- ! The SILO tax money will continue to come in and accumulate. There are no plans at this time to spend this money, but informal talks with a neighboring district have been held. The idea of building a new high school building between the two districts has been discussed, but it must be emphasized that these talks are very preliminary and informal.
- ! The trend seems to be for enrollment to begin declining again, after the large increase experienced in 2004-2005. This anticipated declining enrollment is part of the reason for the talks with a neighboring district. Our lower elementary classes are currently all two sections, but as enrollment declines our experienced, staff needs will change.
- ! The District is aware of increasing mandates for programs such as No Child Left Behind. This causes our staff to be increasing their reporting and accountability to standards, and this all costs money. The state has passed increased funding for professional development, which should help defray these costs in 2005-2006.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marcia Johnson, District Secretary/Treasurer, Newell-Fonda Community School District, 205 Clark Street, Newell, Iowa 50568.

Basic Financial Statements

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	1,373,347	42,459	1,415,806
Receivables:			
Property tax:			
Current year	21,143	-	21,143
Succeeding year	1,124,757	-	1,124,757
Due from other governments	68,762	-	68,762
Other receivables	2,315	614	2,929
Accrued interest receivable	8,838	-	8,838
Inventories	-	4,727	4,727
Capital assets, net of accumulated depreciation	399,573	2,304	401,877
Total assets	<u>2,998,735</u>	<u>50,104</u>	<u>3,048,839</u>
Liabilities			
Accounts payable	4,647	-	4,647
Deferred revenue:			
Succeeding year property tax	1,124,757	-	1,124,757
Total liabilities	<u>1,129,404</u>	<u>-</u>	<u>1,129,404</u>
Net assets			
Invested in capital assets	399,573	2,304	401,877
Restricted for:			
Management levy	53,893	-	53,893
Physical plant and equipment levy	479,154	-	479,154
Capital projects	189,173	-	189,173
Unrestricted	747,538	47,800	795,338
Total net assets	<u>1,869,331</u>	<u>50,104</u>	<u>1,919,435</u>

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					
			Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Expenses	Charges for Service					
\$	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	1,621,918	34,193	167,683	(1,420,042)	-	(1,420,042)
Special instruction	363,178	55,776	110,725	(196,677)	-	(196,677)
Other instruction	456,498	-	161,781	(294,717)	-	(294,717)
	<u>2,441,594</u>	<u>89,969</u>	<u>440,189</u>	<u>(1,911,436)</u>	<u>-</u>	<u>(1,911,436)</u>
Support services:						
Student services	71,142	-	2,517	(68,625)	-	(68,625)
Instructional staff services	102,411	-	-	(102,411)	-	(102,411)
Administration services	404,889	-	-	(404,889)	-	(404,889)
Operation and maintenance of plant services	388,787	-	42,069	(346,718)	-	(346,718)
Transportation services	257,031	-	-	(257,031)	-	(257,031)
	<u>1,224,260</u>	<u>-</u>	<u>44,586</u>	<u>(1,179,674)</u>	<u>-</u>	<u>(1,179,674)</u>
Other expenditures:						
AEA flowthrough	135,465	-	135,465	-	-	-
Facilities acquisition and construction	8,071	-	2,767	(5,304)	-	(5,304)
Depreciation (unallocated) *	17,800	-	-	(17,800)	-	(17,800)
	<u>161,336</u>	<u>-</u>	<u>138,232</u>	<u>(23,104)</u>	<u>-</u>	<u>(23,104)</u>
Total governmental activities	3,827,190	89,969	623,007	(3,114,214)	-	(3,114,214)

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Proprietary funds	169,535	102,968	80,363	-	13,796	13,796
Total	3,996,725	192,937	703,370	(3,114,214)	13,796	(3,100,418)
General revenues:						
Property tax levied for:						
General purposes				1,094,897	-	1,094,897
Management				29,961	-	29,961
Capital outlay				39,648	-	39,648
Local option sales tax				184,629	-	184,629
Unrestricted state grants				1,369,875	-	1,369,875
Unrestricted investment earnings				22,342	-	22,342
Other				34,197	-	34,197
Total general revenue				2,775,549	-	2,775,549
Change in net assets				(338,665)	13,796	(324,869)
Net assets beginning of year				2,207,996	36,308	2,244,304
Net assets end of year				1,869,331	50,104	1,919,435

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General	Capital Projects	Property Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	594,818	137,166	497,571	143,792	1,373,347
Receivables:					
Property tax:					
Current year	13,455	-	6,583	1,105	21,143
Succeeding year	1,011,950	-	39,908	72,899	1,124,757
Interfund receivable	25,000	-	-	-	25,000
Due from other governments	16,755	52,007	-	-	68,762
Other receivables	2,315	-	-	-	2,315
Accrued interest receivable	8,838	-	-	-	8,838
Total assets	<u>1,673,131</u>	<u>189,173</u>	<u>544,062</u>	<u>217,796</u>	<u>2,624,162</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	4,647	-	-	-	4,647
Interfund payable	-	-	25,000	-	25,000
Deferred revenue:					
Succeeding year property tax	1,011,950	-	39,908	72,899	1,124,757
Total liabilities	<u>1,016,597</u>	<u>-</u>	<u>64,908</u>	<u>72,899</u>	<u>1,154,404</u>
Fund balances:					
Reserved for capital projects	-	189,173	-	-	189,173
Unreserved	656,534	-	479,154	144,897	1,280,585
Total fund balances	<u>656,534</u>	<u>189,173</u>	<u>479,154</u>	<u>144,897</u>	<u>1,469,758</u>
Total liabilities and fund balances	<u>1,673,131</u>	<u>189,173</u>	<u>544,062</u>	<u>217,796</u>	<u>2,624,162</u>

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (Exhibit C)	\$ 1,469,758
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds.

399,573

Net assets of governmental activities (Exhibit A)	<u>\$ 1,869,331</u>
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NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2005

	General	Capital Projects	Property Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	1,094,897	184,629	39,648	29,961	1,349,135
Tuition	66,439	2,767	-	-	69,206
Other	99,155	-	15,727	153,929	268,811
State sources	1,654,735	-	-	-	1,654,735
Federal sources	121,638	-	25,000	-	146,638
Total revenues	<u>3,036,864</u>	<u>187,396</u>	<u>80,375</u>	<u>183,890</u>	<u>3,488,525</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,585,543	-	70,757	12,741	1,669,041
Special instruction	363,178	-	-	-	363,178
Other instruction	305,121	-	-	151,377	456,498
	<u>2,253,842</u>	<u>-</u>	<u>70,757</u>	<u>164,118</u>	<u>2,488,717</u>
Support services:					
Student services	70,737	-	-	405	71,142
Instructional staff services	102,006	-	-	405	102,411
Administration services	401,029	-	-	3,860	404,889
Operation and maintenance of plant services	283,984	-	77,873	26,930	388,787
Transportation services	194,967	-	60,510	12,934	268,411
	<u>1,052,723</u>	<u>-</u>	<u>138,383</u>	<u>44,534</u>	<u>1,235,640</u>
Other expenditures:					
AEA flowthrough	135,465	-	-	-	135,465
Facilities acquisition and construction	-	-	3,618	4,453	8,071
	<u>135,465</u>	<u>-</u>	<u>3,618</u>	<u>4,453</u>	<u>143,536</u>
Total expenditures	<u>3,442,030</u>	<u>-</u>	<u>212,758</u>	<u>213,105</u>	<u>3,867,893</u>
Excess of revenues over expenditures	(405,166)	187,396	(132,383)	(29,215)	(379,368)
Fund balances beginning of year	<u>1,061,700</u>	<u>1,777</u>	<u>611,537</u>	<u>174,112</u>	<u>1,849,126</u>
Fund balances end of year	<u>656,534</u>	<u>189,173</u>	<u>479,154</u>	<u>144,897</u>	<u>1,469,758</u>

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E) \$ (379,368)

Amounts reported for governmental activities in the
 statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 103,903	
Depreciation expense	<u>(63,200)</u>	<u>40,703</u>

Change in net assets of governmental activities (Exhibit B) \$ (338,665)

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>102,968</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	77,338
Benefits	9,766
Supplies	81,746
Property	40
Depreciation	<u>645</u>
Total operating expenses	<u>169,535</u>
Operating (loss)	<u>(66,567)</u>
Non-operating revenues:	
Local sources	1,091
State sources	2,978
Federal sources	<u>76,294</u>
	<u>80,363</u>
Change in net assets	13,796
Net assets beginning of year	<u>36,308</u>
Net assets end of year	<u><u>50,104</u></u>

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of services	102,968
Cash payments to employees for services	(87,104)
Cash payments to suppliers for goods or services	<u>(68,739)</u>
Net cash provided by (used in) operating activities	<u>(52,875)</u>
Cash flows from non-capital financing activities:	
State grants received	2,978
Federal grants received	<u>63,036</u>
Net cash provided by non-capital financing activities	<u>66,014</u>
Cash flows from investing activities:	
Interest on investments	<u>478</u>
Net increase (decrease) in cash and cash equivalents	13,617
Cash and cash equivalents beginning of year	<u>28,842</u>
Cash and cash equivalents end of year	<u><u>42,459</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(66,567)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:	
Depreciation	645
Commodities used	13,258
(Increase) in inventory	<u>(211)</u>
	<u>(52,875)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>42,459</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received federal commodities valued at \$13,258.

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Private Purpose Trust Funds
	<u>\$</u>
Assets	
Cash	<u>378,065</u>
Total assets	<u>378,065</u>
Net assets	
Reserved for scholarships	<u><u>378,065</u></u>

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust Scholarship
	\$
Additions:	
Local sources:	
Miscellaneous	7,046
Total additions	7,046
Deductions:	
Support services:	
Scholarships	14,756
Total deductions	14,756
Change in net assets	(7,710)
Net assets beginning of year	385,775
Net assets end of year	378,065

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The Newell-Fonda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Newell and Fonda, Iowa, and agricultural area in Buena Vista, Sac, Pocahontas and Calhoun Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Newell-Fonda Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Newell-Fonda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Pocahontas Counties Assessor Conference Boards.

B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Interfund Receivable/Payable - The District's Physical Plant and Equipment Levy owes the General Fund \$25,000 for Fire Safety Grant money that was expended from the General Fund, but receipted into the PPEL Fund.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures in the Instruction function exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Capital assets being depreciated:				
Buildings	1,006,000	-	-	1,006,000
Furniture and Equipment	424,475	103,903	-	528,378
Total capital assets being depreciated	<u>1,430,475</u>	<u>103,903</u>	<u>-</u>	<u>1,534,378</u>
Less accumulated depreciation for:				
Buildings	715,400	17,800	-	733,200
Furniture and Equipment	358,205	45,400	-	403,605
Total accumulated depreciation	<u>1,073,605</u>	<u>63,200</u>	<u>-</u>	<u>1,136,805</u>
Total capital assets being depreciated, net	<u>356,870</u>	<u>40,703</u>	<u>-</u>	<u>397,573</u>
Governmental activities, capital assets, net	<u>358,870</u>	<u>40,703</u>	<u>-</u>	<u>399,573</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	22,364	0	-	22,364
Less accumulated depreciation	<u>19,415</u>	<u>645</u>	<u>-</u>	<u>20,060</u>
Business type activities capital assets, net	<u>2,949</u>	<u>(645)</u>	<u>-</u>	<u>2,304</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Transportation services	45,400
Unallocated	<u>17,800</u>
	<u>63,200</u>

Business Type activities:

Food service operations	<u>645</u>
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(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$128,071, \$117,874 and \$121,083 respectively, equal to the required contributions for each year.

(5) Risk Management

Newell-Fonda Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$135,465 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is equal to the difference between the employee's base salary calculated by using the current year regular salary schedule less the beginning base salary using the same schedule. Early retirement benefits paid during the year ended June 30, 2005 totaled \$5,376.

Required Supplementary Information

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	1,660,415	103,446	1,763,861	1,752,169	1,752,169	11,692
State sources	1,654,735	2,978	1,657,713	1,752,372	1,752,372	(94,659)
Federal sources	146,638	63,036	209,674	285,000	285,000	(75,326)
Total receipts	3,461,788	169,460	3,631,248	3,789,541	3,789,541	(158,293)
Disbursements:						
Instruction	2,488,381	-	2,488,381	2,468,542	2,468,542	(19,839)
Support services	1,235,640	-	1,235,640	1,339,500	1,339,500	103,860
Non-instructional programs	-	155,843	155,843	180,000	180,000	24,157
Other expenditures	143,536	-	143,536	227,098	227,098	83,562
Total disbursements	3,867,557	155,843	4,023,400	4,215,140	4,215,140	191,740
Excess (deficiency) of receipts over (under) disbursements	(405,769)	13,617	(392,152)	(425,599)	(425,599)	33,447
Other financing sources (uses)	-	-	-	2,000	2,000	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(405,769)	13,617	(392,152)	(423,599)	(423,599)	33,447
Balance beginning of year	1,779,116	28,842	1,807,958	2,138,629	2,138,629	(330,671)
Balance end of year	1,373,347	42,459	1,415,806	1,715,030	1,715,030	(297,224)

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Type		
	Cash	Accrual	Modified
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
	\$	\$	\$
Revenues	3,461,788	26,737	3,488,525
Expenditures	<u>3,867,557</u>	<u>336</u>	<u>3,867,893</u>
Net	(405,769)	26,401	(379,368)
Other financing sources (uses)	-	-	-
Beginning fund balances	<u>1,779,116</u>	<u>70,010</u>	<u>1,849,126</u>
Ending fund balances	<u><u>1,373,347</u></u>	<u><u>96,411</u></u>	<u><u>1,469,758</u></u>

	Proprietary Fund Type		
	Enterprise		
	<u>Cash</u>	<u>Accrual</u>	<u>Accrual</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Basis</u>
	\$	\$	\$
Revenues	169,460	13,871	183,331
Expenditures	<u>155,843</u>	<u>13,692</u>	<u>169,535</u>
Net	13,617	179	13,796
Beginning fund balances	<u>28,842</u>	<u>7,466</u>	<u>36,308</u>
Ending fund balances	<u><u>42,459</u></u>	<u><u>7,645</u></u>	<u><u>50,104</u></u>

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements in the instruction function exceeded the amount budgeted. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

	Management	Student Activity	Total
	\$	\$	\$
Assets			
Cash and pooled investments	52,788	91,004	143,792
Property tax receivable:			
Current year	1,105	-	1,105
Succeeding year	72,899	-	72,899
Total assets	<u>126,792</u>	<u>91,004</u>	<u>217,796</u>
Liabilities and Fund Equity			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	72,899	-	72,899
Fund equity:			
Unreserved fund balances	<u>53,893</u>	<u>91,004</u>	<u>144,897</u>
Total liabilities and fund equity	<u>126,792</u>	<u>91,004</u>	<u>217,796</u>

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Management	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	29,961	-	29,961
Other	1,342	152,587	153,929
Total revenues	31,303	152,587	183,890
Expenditures:			
Instruction:			
Regular instruction	12,741	-	12,741
Co-curricular instruction	-	151,377	151,377
Support services:			
Student support	405	-	405
Instructional support	405	-	405
Administration services	3,860	-	3,860
Plant operation and maintenance	26,930	-	26,930
Student transportation	12,934	-	12,934
Non-instructional programs:			
Food service operations	4,453	-	4,453
Total expenditures	61,728	151,377	213,105
Excess of revenues over expenditures	(30,425)	1,210	(29,215)
Fund balances beginning of year	84,318	89,794	174,112
Balance end of year	53,893	91,004	144,897

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Boys Basketball	8,832	4,778	3,503	10,107
Football	2,487	10,650	13,137	-
Baseball	-	9,513	8,227	1,286
Co-ed Track	-	3,735	3,500	235
Co-ed Golf	-	2,189	2,189	-
Girls Basketball	8,621	5,481	4,168	9,934
Volleyball	1,068	2,257	2,103	1,222
Softball	-	3,576	2,855	721
General Athletics	5,550	4,367	2,437	7,480
Cheerleaders	3,058	7,868	8,720	2,206
Drill Team	1,185	8,828	9,028	985
All School Play	2,325	1,606	1,682	2,249
Speech	(13)	728	356	359
Foreign Language Club	491	-	-	491
MS TA - Nielsen	2,694	4,587	6,323	958
Student Council	975	9,529	8,818	1,686
FCS	2,808	279	471	2,616
FFA	6,003	16,061	17,270	4,794
MS School Play	27	-	-	27
After Prom	238	3,799	3,944	93
Girls Basketball Fund Raiser	340	2,986	3,271	55
Boys Basketball Fund Raiser	1,896	750	2,338	308
Football Fund Raiser	1,566	7,641	5,342	3,865
Baseball Fund Raiser	5,179	9,313	9,877	4,615
Volleyball Fund Raiser	814	945	1,484	275
Softball Fund Raiser	1,785	6,012	3,274	4,523
Class of 2005	1,105	285	1,138	252
Class of 2006	3,585	1,346	3,876	1,055
Class of 2008	-	9,133	5,366	3,767
Class of 2003	193	-	193	-
Class of 2004	708	-	708	-
Class of 2007	3,657	15	36	3,636
Art	1,430	-	-	1,430
Shop	1,170	-	-	1,170
MS Music Resale	(148)	148	-	-
HS Music Resale	18	437	455	-
Elementary PTF Funds	4,196	680	1,261	3,615
MS PTF Funds	3,441	-	-	3,441
State Basketball Tourney Expense	565	-	-	565
Library	180	1,110	904	386
Postage	97	-	-	97
General Activity	2,773	441	2,095	1,119
Yearbook 03	2,385	-	2,385	-
Yearbook 05	-	10,878	5,776	5,102
Yearbook 04	2,387	480	2,867	-
Interest	4,123	156	-	4,279
Totals	89,794	152,587	151,377	91,004

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Fiduciary Net Assets

Year ended June 30, 2005

	Private Purpose Trust Funds		
	Cecil Rogers Scholarship	Don Anderson Trust	Total
	\$	\$	\$
Assets			
Cash	6,404	371,661	378,065
	<u>6,404</u>	<u>371,661</u>	<u>378,065</u>
Net Assets			
Reserved for scholarships	6,404	371,661	378,065
	<u>6,404</u>	<u>371,661</u>	<u>378,065</u>

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Changes in Fiduciary Net Assets

Year ended June 30, 2005

	Private Purpose Trust Funds		
	Cecil Rogers Scholarship	Don Anderson Trust	Total
	\$	\$	\$
Additions:			
Local sources:			
Interest income	87	6,959	7,046
Deductions:			
Support services:			
Scholarships awarded	-	14,756	14,756
Change in net assets	87	(7,797)	(7,710)
Net assets beginning of year	6,317	379,458	385,775
Net assets end of year	6,404	371,661	378,065

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

All Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2004	2003	2002
	\$	\$	\$	\$
Local sources:				
General	1,094,897	1,235,303	1,185,802	1,183,212
Special revenue	69,609	210,418	203,693	197,990
Capital projects	184,629	1,777	-	-
	<u>1,349,135</u>	<u>1,447,498</u>	<u>1,389,495</u>	<u>1,381,202</u>
State sources:				
General	1,654,735	1,600,138	1,671,732	1,736,854
Special revenue	-	161	136	171
Enterprise	2,978	2,624	2,927	3,275
	<u>1,657,713</u>	<u>1,602,923</u>	<u>1,674,795</u>	<u>1,740,300</u>
Federal sources:				
General	121,638	147,726	97,136	86,859
Special revenue	25,000	14,693	-	-
Enterprise	76,294	76,672	77,497	75,818
	<u>222,932</u>	<u>239,091</u>	<u>174,633</u>	<u>162,677</u>
Total	<u>3,229,780</u>	<u>3,289,512</u>	<u>3,238,923</u>	<u>3,284,179</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Newell-Fonda Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 18, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Newell-Fonda Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newell-Fonda Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances on non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Newell-Fonda Community School District and other parties to whom Newell-Fonda Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Newell-Fonda Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

August 18, 2005

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

05-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget - Disbursements for the year ended June 30, 2005, exceeded the certified budget amounts in the instruction function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

05-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

05-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:
(continued) :

05-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

05-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

05-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

05-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

05-II-J Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2004, was overstated. The number of resident students on Line 1 was overstated by 12 students. This resulted in overstating the total actual enrollment on line 7 by 12 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.